

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

***United States Attorney
Karen P. Hewitt***

***For Further Information, Contact: Assistant U.S. Attorneys Phillip L.B. Halpern (619) 557-5165
and Lawrence A. Casper (619) 557-7455***

For Immediate Release

INSURANCE CARRIER ENTERS INTO AGREEMENT TO COOPERATE WITH GOVERNMENT INVESTIGATION AND PAY \$5,550,000 IN FINES AND PENALTIES FOR ITS ROLE FAILING TO DISCLOSE HIDDEN FEES

NEWS RELEASE SUMMARY - June 23, 2008

San Diego, CA - United States Attorney Karen P. Hewitt announced today that the UNUM Group would pay \$5,550,000 in fines and penalties to the federal government based upon its role in failing to report special fees it was paying to a San Diego-based insurance broker as required by the Employee Retirement Income Security Act of 1974, commonly known as “ERISA.”

According to Assistant U.S. Attorneys Phillip L.B. Halpern and Lawrence A. Casper, who were in charge of the investigation, ERISA requires the administrators of qualified insurance plans to provide certain specified information (including all commissions and fees paid to insurance brokers in connection with the purchase of group insurance) to the United States Department of Labor, Employee Benefits Security Administration (“DOL”) and the Internal Revenue Service (“IRS”). The prosecutors noted that Unum – at the request of the San Diego Insurance broker – agreed to make payments of certain fees at various times

from 2000 through 2004 *without* disclosing those fees to the insurance plan administrator (the “insured”). These special fees were typically denoted as RFP, communication or enrollment fees. As a result, the insured unknowingly paid higher premiums. In total, the San Diego broker secretly charged the insured millions of dollars in higher premiums based upon the undisclosed special fees.

The prosecutors added that the United States Attorney’s Office agreed to a negotiated settlement of this matter based, in part, on UNUM’s: (1) timely, voluntary and complete disclosure of the underlying conduct; (2) thorough, real-time cooperation with the DOL, IRS, Federal Bureau of Investigation (“FBI”), and United States Postal Inspection Service (“USPIS”) in uncovering related fraudulent conduct; (3) substantial and continuing remedial efforts, including the company’s agreement to maintain a set of internal controls, including comprehensive compliance standards and procedures; and (4) relative lack of culpability when measured against the conduct of the primary involved insurance broker (“Insurance Broker A”) and other similarly situated insurance carriers underwriting comparable corporate insurance policies.

United States Attorney Hewitt said, “Insurance commission and fee disclosure is designed to promote transparency. Efforts to conceal the payment of those fees will not be tolerated.”

“The Labor Department will not tolerate service providers who fail to disclose fees or compensation arrangements that impact benefit plans,” said Bradford P. Campbell, Assistant Secretary of the Labor Department’s Employee Benefits Security Administration. “This case demonstrates the importance of our enforcement and regulatory efforts to ensure that benefit plan fiduciaries have the information they need to fulfill their responsibilities and to protect the interests of the workers in their plans.”

“The signed agreement between the United States Attorney’s Office and UNUM Group and the forfeiture of over \$5 million is a premier example of how federal law enforcement agencies work in partnership to protect policy holders,” said Debra D. King, Special Agent in Charge, IRS-Criminal Investigation, Los Angeles Field Office. “IRS-Criminal Investigation will continue to be aggressive in supporting any joint effort directed at halting criminal activity that weakens the integrity of our insurance programs and ensure that tighter compliance controls be adhered to.”

FBI Special Agent in Charge Keith Slotter added, “It is necessary that full disclosure be an accepted practice. Failure to provide honest goods and services to the American people will not be tolerated by federal law enforcement.”

“Corporate compliance with the law is vital to ensure consumer protection. The Postal Inspection Service remains committed to the protection of consumers and those investigations that harm them,” said B. Bernard Ferguson, Inspector in Charge - Los Angeles Division, U.S. Postal Inspection Service.

The UNUM Group:

The UNUM Group, is a publicly traded company headquartered in Chattanooga, Tennessee, which provides among other things, group long-term and short-term disability insurance, group life insurance, and group accidental death and dismemberment insurance.

INVESTIGATING AGENCIES:

U.S. Department of Labor, Employee Benefits Security Administration

Federal Bureau of Investigation

Internal Revenue Service - Criminal Investigation Division

Postal Investigations Service